

# WANNA BE A MILLIONAIRE?

STEP 5: USING PLASTIC WISELY

## PLASTIC... Credit, debit, or otherwise

*In this handout we'll provide an overview of the three basic types of cards and detail several action steps you can take in order to ensure a more secure financial future when it comes to card use.*

**M**anaging your personal finances today is more convenient than ever. One of the most convenient features is the ability to use "plastic." We can make purchases, get cash, make deposits, and even earn credit through credit card memberships—all with the swipe of a magnetic strip. But this convenience often proves to be the devil in disguise.

### Credit Cards

Credit cards were first introduced in 1959, offering an entirely new way of handling personal finances. To say the least, these plastic cards have revolutionized our purchasing behavior. They allow us to buy almost anything without cash or writing a check, and offer the convenience of paying for something over time instead of all at once. This has empowered consumers to purchase items they may have otherwise been unable to acquire.

### ATMs

Automated Teller Machines have made getting cash incredibly convenient. They continue to pop up all over our cities and towns, and you can be sure that most



banks are continuing to make plans for more machines in more locations. Although ATMs are more frequently charging a fee—usually \$1—for use, there seems to be no deterring their popularity. The bottom line is that these machines have become so widely used that many people have become dependent upon them for their spending ways.

## Debit Cards

First things first, debit cards are not credit cards. In fact, it's easiest to think of these cards as "check replacement" cards. Like writing a check, when debit cards are used, they deduct the amount of the purchase from a checking account. Using these cards has become increasingly convenient in the last several years. So much so that today, many retailers now offer the option of electronic checkout in their stores. One important thing to remember is that debit card use deducts funds from your checking account instantly. In other words, the funds **MUST** be in your account at the time of the purchase.

*The typical cardholder charges \$2,750 a year and carries an outstanding balance of \$1,750.*

## Tips to avoid card fraud

- Carry only the cards you need with you
- Know where your cards are at all times
- Don't disclose card information unnecessarily
- Never put your account number on the outside of the billing envelope
- Draw a line through blank spaces above the total on your receipt
- Always total out the transaction before signing the receipt
- Never carry your pin number in your wallet or purse
- Keep receipts for all transactions in a safe place away from your cards
- Compare your transaction slips against your monthly statement
- If you shop online make sure the site operates on a secure server

## Action Steps

No matter what type of card you use—credit, debit, or otherwise—there are some things you'll need to be aware of. It's important to note that cards are not the enemy—improper use of cards, however, is! Here's what you need to know.

**Get the best deal.** If you're planning on getting your first credit card, or just in the market for a new one, take your time and shop around for the best deal. Interest rates and annual fees can vary dramatically.

**Be responsible.** Proper card use involves fighting the temptation to overuse the cards. This type of discipline will help keep your monthly spending to a minimum.

**Avoid card fraud.** Using your cards responsibly, keeping them in a safe place, and following the other tips previously noted will help to avoid this financial nightmare.

**Don't spend more than you have.** Although credit cards are convenient and sometimes practical, numerous credit card purchases can result in high debt. Make sure you only make purchases you know you can pay off in a reasonable amount of time.

**Stay in good standing.** The most important element to maintaining a good standing with your card provider is to pay your monthly minimum balance on time every month. Missing payments or making late payments can severely reduce your credit rating.

**Control the urge.** It takes discipline to avoid the misuse of cards. Avoid spontaneous, costly purchases, as well as transactions you know will result in usage fees or higher interest rates.

## Financial Lifelines

### Where to go for more info

#### Web Sites That Can Help

Lost or Stolen ATM Cards  
[www.connicomputers.com/](http://www.connicomputers.com/)  
Money Magazine  
[www.money.com](http://www.money.com)  
The Wall Street Journal Finance Magazine  
[www.smartmoney.com](http://www.smartmoney.com)  
FinanCenter.com  
[www.financenter.com](http://www.financenter.com)  
Kiplinger Online  
[www.kiplinger.com](http://www.kiplinger.com)

#### Books That Can Help

*Get a Financial Life* by Beth Kobliner  
*Wall Street Journal Guide to Understanding Personal Finance*  
*Credit Card & Debt Management: A Step-By-Step How-To Guide for Organizing Debt & Saving Money on Interest Payments* by Scott Bilker  
*The Wall Street Journal Lifetime Guide to Money: Everything You Need to Know About Managing Your Finances—For Every Stage of Life* by C.Frederic Wiegold (Editor), The Wall Street Journal's Personal Finance Staff

#### Brochures and Pamphlets That Can Help

Personal Finance: Tricks of the Trade  
Wellness Councils of America  
Just for You Brochure Series  
To order call 1-402-827-3590 or go to [www.welcoa.org](http://www.welcoa.org)  
Ten Questions to Ask When Choosing a Financial Planner  
Federal Consumer Information Center  
Title number: 583G  
To order call 1-888-878-3256 or go to [www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)

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**QUESTION 5:**

*If you fail to report your lost or stolen ATM card  
within 2 business days, your card provider  
can hold you liable for up to:*

- ☐ **A) \$0**
- ☐ **B) \$50**
- ☐ **C) \$500**
- ☐ **D) The total amount of all transactions**

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NAME